

**VILLAGE OF CLARENCE
ANNUAL FINANCIAL REPORT**

JUNE 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/2/11

Village of Clarence
Financial Report
June 30, 2010

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Village of Clarence
Financial Report
June 30, 2010

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Village of Clarence

MANAGEMENT'S DISCUSSION AND ANALYSIS for the Year Ended June 30, 2010

The Management's Discussion and Analysis of the Village of Clarence's financial performance presents a narrative overview and analysis of the Village's financial activities for the year ended June 30, 2010. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Village of Clarence's financial statements, which begin on page 9.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. These statements tell how the services were financed in the short-term as well as what remains for future spending.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities. The Village uses funds to ensure and demonstrate compliance with finance related laws and regulations. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources at the end of the year. As the Government-Wide Financial Statements includes the long-term view, comparisons between these two views may provide insight into the long-term impact of short-term financing decreases. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the difference between these two views.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Assets

	June 2010			June 2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS:						
Current Assets	\$18,237	\$ 8,404	\$ 26,641	\$16,846	\$ 8,054	\$ 24,900
Restricted Assets	0	9,179	9,179	0	10,116	10,116
Capital Assets, Net of Accumulated Depreciation	<u>42,877</u>	<u>2,284,953</u>	<u>2,327,830</u>	<u>54,484</u>	<u>2,323,367</u>	<u>2,377,851</u>
Total Assets	<u>\$61,114</u>	<u>\$2,302,536</u>	<u>\$2,363,650</u>	<u>\$71,330</u>	<u>\$2,341,537</u>	<u>\$2,412,867</u>
LIABILITIES:						
Accounts Payable	\$ 1,456	\$ 3,237	\$ 4,693	\$ 9,559	\$ 2,812	\$ 12,371
Customers' Deposits Payable	0	5,596	5,596	0	5,860	5,860
Long Term Debt	<u>0</u>	<u>61,000</u>	<u>61,000</u>	<u>0</u>	<u>66,000</u>	<u>66,000</u>
Total Liabilities	<u>\$ 1,456</u>	<u>\$ 69,833</u>	<u>\$ 71,289</u>	<u>\$ 9,559</u>	<u>\$ 74,672</u>	<u>\$ 84,231</u>
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	\$42,877	\$2,223,953	\$2,266,830	\$47,019	\$2,257,367	\$2,304,386
Restricted for Debt Service	0	8,750	8,750	7,465	9,498	16,963
Unrestricted	<u>16,781</u>	<u>0</u>	<u>16,781</u>	<u>7,287</u>	<u>0</u>	<u>7,287</u>
NET ASSETS	<u>\$59,658</u>	<u>\$2,232,703</u>	<u>\$2,292,361</u>	<u>\$61,771</u>	<u>\$2,266,865</u>	<u>\$2,328,636</u>

Summary of Statement of Activities

	June 2010			June 2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUES:						
Charge for Services	\$ 22,760	\$120,591	\$143,351	\$ 22,482	\$121,316	\$ 143,798
Taxes	22,315	0	22,315	21,515	0	21,515
Fines	69,811	0	69,811	67,735	0	67,735
Grants	0	0	0	446,281	500,402	946,683
Other	<u>15,748</u>	<u>47</u>	<u>15,795</u>	<u>10,122</u>	<u>832</u>	<u>10,954</u>
Total Revenues	<u>\$130,634</u>	<u>\$120,638</u>	<u>\$251,272</u>	<u>\$568,135</u>	<u>\$622,550</u>	<u>\$1,190,685</u>
EXPENSES:						
Public Safety	\$ 49,387	\$ 0	\$ 49,387	\$ 49,675	\$ 0	\$ 49,675
General Government	83,143	0	83,143	573,788	0	573,788
Operating Expense	0	151,900	151,900	0	141,873	141,873
Interest Expense	<u>218</u>	<u>2,900</u>	<u>3,118</u>	<u>759</u>	<u>3,425</u>	<u>4,184</u>
Total Expenses	<u>\$132,748</u>	<u>\$154,800</u>	<u>\$287,548</u>	<u>\$624,222</u>	<u>\$145,298</u>	<u>\$ 769,520</u>
Change in Net Assets	<u>\$ (2,114)</u>	<u>\$ (34,162)</u>	<u>\$ (36,276)</u>	<u>\$ (56,087)</u>	<u>\$477,252</u>	<u>\$ 421,165</u>

Governmental Activities

- The Village's assets exceeded its liabilities by \$59,658 (net assets) for the year. This is a decrease of \$2,114 from prior year.

Business Type Activities

- The Proprietary Fund (the water and sewer service) experienced a decrease in net assets of \$34,162 for the year.

General Fund Budgetary Highlights

At year end, actual revenues were \$25,133 more than budgeted revenues and actual expenditures were \$2,545 less than budgeted expenditures.

Economic Factors and Next Year's Budget

The Village has prepared its FY 2010/2011 budget for the General Fund on the assumption that revenues and expenditures will remain fairly constant next year. Both revenues and expenditures for the Utility Enterprise Fund should also remain constant during the next year.

Contacting the Village

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Village at P. O. Box 309, Clarence, LA 71414.

Johnson, Thomas & Cunningham

Certified Public Accountants

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ACCOUNTANT'S REVIEW REPORT

To the Mayor and Board of Aldermen of
the Village of Clarence

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of the Village of Clarence as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements as listed in the Table of Contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of the Village.

A review consists principally of inquiries of Village personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 31, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report dated December 23, 2010, on the results of our agreed-upon procedures on page 33 through 35. Pages 36 through 39 present the Louisiana Attestation Questionnaire, our Management Letter and Management's Response.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

December 23, 2010
Natchitoches, LA 71457

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Village of Clarence
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$13,961	\$ 1,632	\$ 15,593
Accounts Receivable	<u>4,276</u>	<u>6,772</u>	<u>11,048</u>
Total Current Assets	<u>\$18,237</u>	<u>\$ 8,404</u>	<u>\$ 26,641</u>
Noncurrent Assets:			
Restricted Assets:			
Customers' Meter Deposits	\$ 0	\$ 5,552	\$ 5,552
Bond Covenant Accounts	0	3,627	3,627
Capital Assets (net)	<u>42,877</u>	<u>2,284,953</u>	<u>2,327,830</u>
Total Noncurrent Assets	<u>\$42,877</u>	<u>\$2,294,132</u>	<u>\$2,337,009</u>
Total Assets	<u>\$61,114</u>	<u>\$2,302,536</u>	<u>\$2,363,650</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 1,456	\$ 1,862	\$ 3,318
Accrued Interest	0	1,375	1,375
Current Portion - Long Term Debt	<u>0</u>	<u>6,000</u>	<u>6,000</u>
Total Current Liabilities	<u>\$ 1,456</u>	<u>\$ 9,237</u>	<u>\$ 10,693</u>
Noncurrent Liabilities:			
Payable from Restricted Assets-			
Customers' Deposits Payable	\$ 0	\$ 5,596	\$ 5,596
Long-Term Debt	<u>0</u>	<u>55,000</u>	<u>55,000</u>
Total Noncurrent Liabilities	<u>\$ 0</u>	<u>\$ 60,596</u>	<u>\$ 60,596</u>
Total Liabilities	<u>\$ 1,456</u>	<u>\$ 69,833</u>	<u>\$ 71,289</u>
NET ASSETS:			
Invested in Capital Assets,			
Net of Related Debt	\$42,877	\$2,223,953	\$2,266,830
Restricted for Debt Service	0	8,750	8,750
Unrestricted	<u>16,781</u>	<u>0</u>	<u>16,781</u>
Total Net Assets	<u>\$59,658</u>	<u>\$2,232,703</u>	<u>\$2,292,361</u>

See notes to financial statements.

Village of Clarence
Statement of Activities
For the Year Ended June 30, 2010

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 83,143	\$ 22,760	\$5,666	\$0	\$(54,717)	\$ 0	\$ (54,717)
Public Safety	<u>49,605</u>	<u>76,883</u>	<u>0</u>	<u>0</u>	<u>27,278</u>	<u>0</u>	<u>27,278</u>
Total Governmental Activities	<u>\$132,748</u>	<u>\$99,643</u>	<u>\$5,666</u>	<u>\$0</u>	<u>\$(27,439)</u>	<u>\$ 0</u>	<u>\$ (27,439)</u>
Business-Type Activities:							
Water/Sewer	<u>\$154,800</u>	<u>\$120,591</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 0</u>	<u>\$ (34,209)</u>	<u>\$ (34,209)</u>
Total Government	<u>\$287,548</u>	<u>\$220,234</u>	<u>\$5,666</u>	<u>\$0</u>	<u>\$(27,439)</u>	<u>\$ (34,209)</u>	<u>\$ (61,648)</u>
General Revenues:							
Taxes					\$ 22,315	\$ 0	\$ 22,315
Interest & Miscellaneous					<u>3,010</u>	<u>47</u>	<u>3,057</u>
Total General Revenues					<u>\$ 25,325</u>	<u>\$ 47</u>	<u>\$ 25,372</u>
Change in Net Assets					\$ (2,114)	\$ (34,162)	\$ (36,276)
Net Assets July 1, 2009					<u>61,772</u>	<u>2,266,865</u>	<u>2,328,637</u>
Net Assets June 30, 2010					<u>\$ 59,658</u>	<u>\$2,232,703</u>	<u>\$2,292,361</u>

See notes to financial statements

FUND FINANCIAL STATEMENTS

Village of Clarence
Balance Sheet-Governmental Fund
June 30, 2010

ASSETS:

Cash and Cash Equivalents	\$13,961
Accounts Receivable	<u>4,276</u>
Total Assets	<u>\$18,237</u>

LIABILITIES:

Accounts Payable	\$ 1,456
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FUND BALANCES:

Unreserved	<u>16,781</u>
Total Liabilities and Fund Balances	<u>\$18,237</u>

See notes to financial statements.

Village of Clarence
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
June 30, 2010

Total Fund Balance for the Governmental Funds at June 30, 2010	\$ 16,781
Total Net Assets reported for Governmental Activities in the Statement of Net Assets is different because:	
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land, Equipment, Buildings, and Vehicles,	130,912
Less, Accumulated Depreciation	<u>(88,035)</u>
Total Net Assets of Governmental Activities at June 30, 2010	<u>\$ 59,658</u>

See notes to financial statements.

Village of Clarence
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2010

Revenues:	
Taxes	\$ 22,315
Licenses and Permits	22,760
Intergovernmental	5,666
Fines and Forfeits	69,811
Mayor's Court	7,072
Miscellaneous	<u>3,010</u>
Total Revenues	<u>\$130,634</u>
Expenditures:	
Current-	
General Government	\$ 78,428
Public Safety	42,496
Debt Service	<u>7,681</u>
Total Expenditures	<u>\$128,605</u>
Excess of Revenues over Expenditures	\$ 2,029
Fund Balance-Beginning of Year	<u>14,752</u>
Fund Balance-End of Year	\$ 16,781

See notes to financial statements.

Village of Clarence
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2010

Total net change in fund balances at June 30, 2010, per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,029
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Depreciation expense on capital assets is reported in the Government-wide Financial Statements, but they do not require the use of current financial resources and are not reported in the Fund Financial Statements. Current year depreciation expense is	(11,607)
Payments made on long-term debt are shown as expenditures in the governmental funds, but the payments reduce long-term liabilities in the Statement of Net Assets	<u>7,464</u>
Total changes in net assets at June 30, 2010, per Statement of Activities	\$ <u>(2,114)</u>

See notes to financial statements.

Village of Clarence
Statement of Net Assets
Proprietary Fund
Year Ended June 30, 2010

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 1,632
Accounts Receivable	<u>6,772</u>
Total Current Assets	\$ <u>8,404</u>

Noncurrent Assets:

Restricted Assets-

Customers' Meter Deposits	\$ 5,552
Bond Covenant Accounts	3,627

Capital Assets-

Capital Assets, Net	<u>2,284,953</u>
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Total Noncurrent Assets	<u>\$2,294,132</u>
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Total Assets	<u>\$2,302,536</u>
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LIABILITIES:

Current Liabilities:

Accounts Payable	\$ 1,862
Accrued Interest	1,375
Current Portion of Long-Term Debt	<u>6,000</u>

Total Current Liabilities	\$ <u>9,237</u>
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Noncurrent Liabilities:

Long-Term Debt	\$ 55,000
Payable From Restricted Assets-	
Customers' Deposits Payable	<u>5,596</u>

Total Noncurrent Liabilities	\$ <u>60,596</u>
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Total Liabilities	\$ <u>69,833</u>
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NET ASSETS:

Invested in Capital Assets, net of related debt	\$2,223,953
Restricted for Debt Service	<u>8,750</u>

Total Net Assets	<u>\$2,232,703</u>
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See notes to financial statements.

Village of Clarence
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2010

OPERATING REVENUES:

Sales \$ 120,591

OPERATING EXPENSES:

Depreciation \$ 38,414

Personnel 38,967

Utilities/Telephone 47,723

Repairs & Maintenance/Fuel 8,872

Supplies 1,112

Office 7,077

Testing 3,651

Miscellaneous 6,084

Total Operating Expenses \$ 151,900

Operating Income (Loss) \$ (31,309)

NON-OPERATING REVENUES & EXPENSES:

Interest Income \$ 47

Interest Expense (2,900)

Total Non-Operating Revenues (Expenses) \$ (2,853)

Change in Net Assets \$ (34,162)

Net Assets-Beginning of Year 2,266,865

Net Assets-End of Year \$2,232,703

See notes to financial statements.

Village of Clarence
Statement of Cash Flows
Proprietary Fund
June 30, 2010

	<u>Business Type Activities</u>
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 122,065
Cash Paid to Suppliers	(76,673)
Cash Paid to Employees	<u>(37,362)</u>
Net Cash Provided by Operating Activities	\$ <u>8,030</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	\$ (5,000)
Interest Paid on Capital Debt	<u>(3,050)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ <u>(8,050)</u>
Cash Flows From Investing Activities:	
Interest	\$ <u>47</u>
Net Decrease in Cash and Cash Equivalents	\$ 27
Cash and Cash Equivalents at Beginning of Year	<u>10,784</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>10,811</u></u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Operating Loss	\$ (31,309)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	38,414
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	614
Increase in Accounts and Other Payables	<u>311</u>
Net Cash Provided by Operating Activities	\$ <u><u>8,030</u></u>

Continued next page.

See notes to financial statements.

Village of Clarence
Statement of Cash Flows
Proprietary Fund
June 30, 2010

Business Type Activities

Reconciliation of Total Cash and Cash Equivalents:

Current Assets-

Cash and Cash Equivalents

\$ 1,632

Restricted Assets-

Cash and Cash Equivalents

9,179

Total Cash and Cash Equivalents

\$ 10,811

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Village of Clarence
Notes to Financial Statements
June 30, 2010

Introduction:

The Village of Clarence, Louisiana, is incorporated under the Lawrason Act with a Mayor-Board of Aldermen form of government. The executive branch of government is headed by the Mayor and a Legislative branch consisting of Aldermen.

This report includes all funds which are controlled or dependent on the Village of Clarence's executive and legislative branches (the Mayor and Aldermen). Control by or dependence on the Village of Clarence was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of government body, and other general oversight responsibility.

The Village's operations include police, streets and drainage, and general and administrative services. In addition, the Village operates a Utility System which provides water and sewer services.

1. Summary of Significant Accounting Policies:

A. REPORTING ENTITY-

The Village is the basic level of government which has financial accountability and control over all activities related to the Village operations and services provided. The Village is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since the Village Mayor and Board of Aldermen are elected by the public and have decision making authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14, which are included in the Village's reporting entity.

The financial statements of the Village of Clarence, Louisiana are prepared in accordance with generally accepted accounting principles (GAAP). The Village of Clarence's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

B. BASIS OF PRESENTATION-

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Village of Clarence
Notes to Financial Statements
June 30, 2010

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. FUND ACCOUNTING-

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The Village maintains two funds. They are categorized as a governmental fund and a proprietary fund. The emphasis on fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Village are described below:

Governmental Fund-

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Village of Clarence
Notes to Financial Statements
June 30, 2010

Proprietary Fund-

Enterprise Fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village's enterprise fund is the Utility Fund.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Village as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

Village of Clarence
Notes to Financial Statements
June 30, 2010

E. CASH AND INTEREST-BEARING DEPOSITS-

For purposes of the Statement of Net Assets and Statement of Cash Flows, cash and interest-bearing deposits include all demand accounts and savings accounts of the Village.

F. CAPITAL ASSETS-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Buildings and improvements	40 years
Equipment and vehicles	3-10 years
Utility system and improvements	10-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

G. RESTRICTED ASSETS-

Restricted assets include cash, interest-bearing deposits, and investments of the proprietary fund that are legally restricted as to their use. The restricted assets are related to customer deposits and bond covenants.

H. COMPENSATED ABSENCES-

There is no formal leave policy for the Village, therefore no entry is made to record compensated absences.

Village of Clarence
Notes to Financial Statements
June 30, 2010

I. EQUITY CLASSIFICATIONS-

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt---Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets---Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets---All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

J. ESTIMATES-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

K. OPERATING REVENUES AND EXPENSES-

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

L. EXPENDITURES/EXPENSES-

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

Village of Clarence
Notes to Financial Statements
June 30, 2010

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character
Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

M. BUDGET-

Prior to the beginning of each fiscal year, the Village adopts a budget for the next fiscal year. The budget is open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budget is prepared on the modified accrual basis of accounting.

2. Cash and Cash Equivalents:

For reporting purposes, cash and cash equivalents include demand deposits, and time deposits. At June 30, 2010, the Village had cash and cash equivalents (collected bank balances) totaling \$25,394. Cash and cash equivalents are stated at cost, which approximates market. Under Louisiana law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a holding or custodial bank in the form of safekeeping receipts held by the Village. The deposits at June 30, 2010, were fully secured by FDIC Insurance.

3. Restricted Assets:

The Enterprise Fund has restricted assets as follows:

Water and Sewer Customer Deposits	\$5,552
Bond Covenant Accounts-	
Depreciation Contingency	779
Bond Reserve	725
Sinking Fund	<u>2,123</u>
Total	<u>\$9,179</u>

Under the terms of the bond indenture on outstanding Water Utility Bonds dated December 4, 1979, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utility System, are pledged and dedicated to the retirement of said bonds and are to be set aside into the following funds:

Village of Clarence
Notes to Financial Statements
June 30, 2010

- (a) Each month, there will be set aside into a fund called the Amortization Fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- (b) There shall also be set aside into a Reserve Fund an amount equal to 5% of the principal and interest payments required during the month until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirement in any one maturity year \$(13,850). Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Amortization Fund and as to which there would otherwise be default.
- (c) Funds will also be set aside into a Depreciation and Contingency Fund at the rate of \$55 per month. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense.
- (d) All of the revenues received in any fiscal year that are not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful purpose.

4. Capital Assets:

Capital asset activity for the year ended June 30, 2010, is as follows:

<u>Governmental Activities</u>	<u>Balance 07-01-09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06-30-10</u>
Capital Assets depreciated-				
Building	\$ 46,751	\$ 0	\$0	\$ 46,751
Office Furniture, Fixtures & Equipment	9,274	0	0	9,274
Vehicles/Equipment	<u>74,887</u>	<u>0</u>	<u>0</u>	<u>74,887</u>
Total Capital Assets	<u>\$ 130,912</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$ 130,912</u>
Less, Accumulated Depreciation				
Building	\$ 29,231	\$ 1,169	\$0	\$ 30,400
Office Furniture, Fixtures & Equipment	8,759	258	0	9,017
Vehicles/Equipment	<u>38,438</u>	<u>10,180</u>	<u>0</u>	<u>48,618</u>
Total Accumulated Depreciation	<u>\$ 76,428</u>	<u>\$ 11,607</u>	<u>\$0</u>	<u>\$ 88,035</u>
Net Capital Assets	<u>\$ 54,484</u>	<u>\$ (11,607)</u>	<u>\$0</u>	<u>\$ 42,877</u>

Village of Clarence
Notes to Financial Statements
June 30, 2010

Business-Type Activities	Balance 07-01-09	Additions	Deletions	Balance 06-30-10
Capital Assets-				
Water System	\$2,195,919	\$ 0	\$0	\$2,195,919
Sewer System	14,567	0	0	14,567
Sewer System 2009	<u>500,402</u>	<u>0</u>	<u>0</u>	<u>500,402</u>
Total Capital Assets	<u>\$2,710,888</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$2,710,888</u>
Less: Accumulated Depreciation				
Water System	\$ 376,898	\$ 25,322	\$0	\$ 402,220
Sewer System	4,368	582	0	4,950
Sewer System 2009	<u>6,255</u>	<u>12,510</u>	<u>0</u>	<u>18,765</u>
Total Accumulated Depreciation	<u>\$ 387,521</u>	<u>\$ 38,414</u>	<u>\$0</u>	<u>\$ 425,935</u>
Net Capital Assets	<u>\$2,323,367</u>	<u>\$(38,414)</u>	<u>\$0</u>	<u>\$2,284,953</u>

Depreciation expense of \$4,714 was charged to general government and \$6,893 to public safety. Depreciation expense for the enterprise fund was charged as follows:

Sewer	\$13,092
Water	<u>25,322</u>
Total	<u>\$38,414</u>

5. Changes in Long-Term Debt:

The following is a summary of bond transactions of the Village for the year ended June 30, 2010:

	Revenue Bonds
Bonds Payable at July 1, 2009	\$66,000
Less, Bonds Retired at 6-30-10	<u>(5,000)</u>
Bonds Payable at June 30, 2010	<u>\$61,000</u>

Bonds payable at June 30, 2010, are comprised of the following individual issues:

	Issue Date	Final Maturity	Rate	Total
1979 Water Revenue Bonds	12-08-1979	12-31-2019	5%	<u>\$61,000</u>

Village of Clarence
Notes to Financial Statements
June 30, 2010

The annual requirements to amortize all debt outstanding as of June 30, 2010, including interest payments of \$13,050 are as follows:

2011	\$ 8,750
2012	8,450
2013	8,150
2014	7,850
2015	8,500
Thereafter	<u>32,350</u>
Total	<u>\$74,050</u>

For the year ended June 30, 2007, the Village entered into a lease/purchase agreement for a new police car. The police car was purchased for \$23,100 at 5.9% APR for 36 months. At June 30, 2010, this lease was paid in full with interest of \$217 charged to public safety.

Lease Payable at July 1, 2009	\$7,464
Less, Leases Paid at June 30, 2010	<u>7,464</u>
Lease Payable at June 30, 2010	\$ 0

6. Compensation of Mayor and Aldermen:

<u>Name</u>	<u>Amount</u>
Bobby Braxton	\$ 5,400
Natonya Pikes	2,400
Jamie Alexander	2,400
Frank Mitchell, Jr.	<u>2,400</u>
Total	<u>\$12,600</u>

7. Receivables:

The following is a summary of receivables at June 30, 2010:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Utility Fund</u>
Sales	\$ 0	\$6,772
Taxes	1,805	0
Licenses/Fees	256	0
Fines	<u>2,215</u>	<u>0</u>
Total	<u>\$4,276</u>	<u>\$6,772</u>

OTHER REQUIRED
SUPPLEMENTARY INFORMATION

Village of Clarence
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2010

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 34,500	\$ 34,500	\$ 22,315	\$(12,185)
Licenses & Permits	7,600	7,600	22,760	15,160
Intergovernmental	300	300	5,666	5,366
Fines & Forfeits	62,101	62,101	69,811	7,710
Mayor's Court	0	0	7,072	7,072
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>3,010</u>	<u>2,010</u>
Total Revenues	<u>\$105,501</u>	<u>\$105,501</u>	<u>\$130,634</u>	<u>\$ 25,133</u>
EXPENDITURES:				
General Government	\$ 73,150	\$ 73,150	\$ 78,428	\$ (5,278)
Public Safety	<u>45,850</u>	<u>58,000</u>	<u>50,177</u>	<u>7,823</u>
Total Expenditures	<u>\$119,000</u>	<u>\$131,150</u>	<u>\$128,605</u>	<u>\$ 2,545</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (13,499)	\$ (25,649)	\$ 2,029	\$ 27,678
Fund Balance-Beginning of Year	<u>14,752</u>	<u>14,752</u>	<u>14,752</u>	<u>0</u>
Fund Balance-End of Year	<u>\$ 1,253</u>	<u>\$ (10,897)</u>	<u>\$ 16,781</u>	<u>\$ 27,678</u>

See accountant's report.

OTHER REPORTS

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation

Roger M. Cunningham, CPA – A Professional Corporation

Jessica H. Broadway, CPA – A Professional Corporation

Ryan E. Todtenbier, CPA – A Professional Corporation

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Aldermen of
the Village of Clarence

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Village of Clarence and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Village of Clarence's compliance with certain laws and regulations during the year ended June 30, 2010, included in the Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

PUBLIC BID LAW

1. Select all expenditures made during the year for materials and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

No expenditures found to be in violation.

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided the requested information.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedures (3) were also included on the listing obtained from management in agreed-upon procedures (2) as immediate family members.

None of the employees included in procedure (3) appeared in procedure (2) as immediate family members.

BUDGETING

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There was one amendment to the budget during the year.

6. Trace the budget and amendment adoption to the minute book.

We traced the adoption of the budget and amendment to the minutes of the Village. They were adopted by a unanimous decision.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

Actual revenues and expenditures were within the 5% variance.

ACCOUNTING AND REPORTING

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee:

We examined supporting documentation for each of the six disbursements and found that the payments were for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct fund and general ledger account:

Each disbursement appeared to be coded correctly.

- (c) determine whether payments received approval from proper authorities:

Inspection of supporting documentation showed written approval.

MEETINGS

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The Village is only required to post a notice of each meeting and the accompanying agenda on the door of the Village's office building. Management has asserted that such documents were properly posted.

DEBT

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or any other indebtedness which have not been approved by the State Bond Commission.

We inspected copies of all bank deposits for the period under examination and noted no deposits that appeared to be proceeds of bank loans, bonds, or other indebtedness that had not been approved by the State Bond Commission.

ADVANCES AND BONUSES

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees that may constitute bonuses, advances, or gifts.

There were none.

Our prior report dated February 8, 2010, was an audit and contained 5 findings, findings 09-03 and 09-05 have been cleared.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Village of Clarence and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

December 23, 2010
Natchitoches, Louisiana

VILLAGE OF CLARENCE

P. O. Box 309
Clarence, LA 71414

Johanson, Thomas & Cunningham, CPA's
321 Bienville Street
Natchitoches, LA 71457

In connection with your review of our financial statements as of June 30, 2010, and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of 12/13/10.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes ☒ No ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1149.

Yes ☒ No ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-16), R.S. 39:133, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes ☒ No ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes ☒ No ☐

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R. S. 42:1 through 42:13.

Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410, 39:1410.65.

Yes ☒ No ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:158, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

Mayor *Billy Boudreau*

Johnson, Thomas & Cunningham

Certified Public Accountants

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December 23, 2010

The Honorable Bobby Braxton, Mayor
and Village Aldermen
Village of Clarence
P. O. Box 309
Clarence, LA 71414-0309

RE: Review Report – June 30, 2010
Management Letter

Dear Mayor Braxton,

We have reviewed the financial statement of the Village of Clarence for the year ended June 30, 2010, and have the following information to report to you.

1. Computer System-

The Village's current computer system is not being used to its full potential.

2. Control over Financial Reporting-

The general ledgers for the General Fund and Water and Sewer Fund did not balance as not all transactions had been posted correctly.

3. Non-compliance with Bond Covenants-

The Village is required by the terms of the Water Utility bonds dated December 4, 1979, to deposit monthly certain amounts into three separate funds. Reserve Fund, Depreciation and Contingency Fund, and Amortization Fund. For the year ended June 30, 2010, the Village was not fulfilling this requirement.

Sincerely,

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

Village of Clarence
P. O. Box 309
Clarence, LA 71414

December 18, 2010

Louisiana Legislative Auditor
1500 North Third Street
Baton Rouge, LA 70802

RE: Village of Clarence
Financial Report – June 30, 2010

The following is our response to the management letter issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2010:

Management's Corrective Action Plan

1. Computer System - We will, to the extent possible, try to increase the computer usage as time permits.
2. Control over Financial Reporting - We will institute procedures to ensure that all transactions are posted as they occur and that all ledgers are balanced at the end of each month.
3. Non compliance with Bond Covenants - We will ensure that each of the three funds required by the Water Bond is properly funded each month.

Please contact us if there are any questions regarding our responses.

Sincerely,


Bobby Braxton, Mayor
Village of Clarence

Village of Clarence
Status of Prior Year Audit Findings
Year Ended June 30, 2010

Internal Control-

09-01. Computer System

Finding – The Village's current computer system is not being used to its full potential.

Status – Repeat finding for June 30, 2010. See management letter.

09-02. Control over Financial Reporting

Finding – The general ledgers for the General Fund, Water Fund and Sewer Fund did not balance as not all transactions had been posted.

Status – Repeat finding for June 30, 2010. See management letter.

Non-Compliance-

09-03. Late Report

Finding – Louisiana state laws requires that the Village have an annual audit performed and submitted to the Legislative Auditor within six (6) months after the close of their fiscal year. For the year ended June 30, 2009, this requirement was not met.

Status – This finding cleared at June 30, 2010.

09-04. Non-compliance with Bond Covenants

Finding – The Village is required by the terms of the Water Utility bonds dated December 4, 1979, to deposit monthly certain amounts into three separate funds: Reserve Fund; Depreciation and Contingency Fund and Amortization Fund. For the year ended June 30, 2009, the Village was not fulfilling this requirement.

Status – Repeat finding for June 30, 2010. See management letter.

09-05. Violation of Local Government Budget Act

Finding – Louisiana law requires that the budget be amended if actual revenues are less than budgeted revenues by more than 5%. For the year ended June 30, 2009, actual revenues were less than budgeted revenues by more than the 5% variance allowed and the budget was not amended.

Status – This finding cleared at June 30, 2010.